

**OPENING REMARKS OF THE HONORABLE RUBÉN HINOJOSA
HOUSE FINANCIAL SERVICES COMMITTEE
SUBCOMMITTEE ON CAPITAL MARKETS
OFHEO'S REPORT ON THE SPECIAL EXAMINATION OF FREDDIE MAC
JANUARY 21, 2004**

Chairman Baker and Ranking Member Kanjorski,

I want to thank you for holding this hearing.

Before we address OFHEO's report, I want to stress that the housing market has served as the foundation of the U.S. economy since the stock market decline post-Clinton and post-9/11. During that time, Fannie Mae and Freddie Mac have played a key role in supplying liquidity for the housing market, thereby supporting our economy in a time of need.

It is my firm belief that whatever action that we decide to take in Congress, if any, with respect to either of these institutions, we must not alter their internal structure, or any aspect of their regulation, that would harm them or our economy.

I understand that OFHEO has not closed its examination of Freddie Mac completely and continues to seek to compel former Chief Executive Officer Leland Brendsel and former Chief Financial Officer Vaughn Clark to testify to the actions they took at Freddie Mac. It is also my understanding that this matter is pending before the U.S. District Court for the Eastern District of Virginia, that the SEC is investigating whether Freddie Mac possibly violated U.S. securities laws, and that the U.S. Attorney for the Eastern District of Virginia is conducting a criminal investigation. It is important that I note all of this to stress again that any action Congress takes prior to the conclusion of these investigations and court actions would be premature. Consequently, I will refrain from drawing any conclusions until all of these investigations are concluded.

Having said that, I look forward to hearing the testimony of Mr. Falcon from OFHEO and Mr. Baumann of Freddie Mac.